

Joint Statement of the Honorable John D. Dingell, Chairman Committee on Energy and Commerce and the Honorable Bobby L. Rush, Chairman Subcommittee on Commerce, Trade, and Consumer Protection Before the Subcommittee on Trade of the Committee on Ways

Statement of Congressman John D. Dingell, Chairman
Committee on Energy and Commerce

JOINT STATEMENT

OF

THE HONORABLE JOHN D. DINGELL, CHAIRMAN

COMMITTEE ON ENERGY AND COMMERCE

AND

THE HONORABLE BOBBY L. RUSH, CHAIRMAN

SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION BEFORE

THE SUBCOMMITTEE ON TRADE OF

THE COMMITTEE ON WAYS AND MEANS

HEARING ON CHINA TRADE LEGISLATION

August 2, 2007

Chairman Levin, thank you for inviting us to submit testimony concerning the burgeoning myriad of problems arising from trade between the United States and the People's Republic of China (PRC). Let us be clear from the outset that we are not opposed to free trade in principle. Trade, however, must be fair and not pose health and safety hazards to consumers. Unfortunately, we are forced to conclude that this is not the case in our ever-growing commercial relationship with China. Our Committee will shortly be occupied with oversight and legislative hearings pertaining to the safety of imported food and other consumer products from China. We are also quite concerned about China's continued intractability on the issue of currency reform, as we have maintained for some time now that China has pursued policies to keep the value of its currency artificially low, thereby prompting the growth of its export industry at the cost of U.S. jobs.

Given the scope of your hearing today, we wish to share with you a summary of the trade-related actions concerning consumer safety and health that will be undertaken by our Committee in the near future. We will also offer our most candid opinion on how best to equip the United States via statutory reform with the tools it so desperately needs in order to combat unfair foreign currency practices. It is our hope to remain cooperatively engaged with other committees of jurisdiction in order to develop and implement legislative solutions necessary to safeguard the health and economic interests of American consumers, workers, and businesses as they relate to the broader trends of globalization, and in particular with regard to trade with China.

As you are all no doubt aware, there has been a recent glut of reports in the media about unsafe food and other consumer products — including children's toys and tires — imported from China. Among others, our Committee has oversight jurisdiction over the Food and Drug Administration (FDA), National Highway Traffic Safety Administration (NHTSA), and Consumer Product Safety Commission (CPSC), all of which are charged with regulating the safety of toys and other consumer products imported into this country from abroad. The Chairman of the Committee on Energy and Commerce Subcommittee on Commerce, Trade, and Consumer Protection, Rep. Bobby L. Rush, has repeatedly made clear his intention to hold investigatory hearings concerning the safety of imported children's toys and tires from China. These hearings will serve as a foundation for Mr. Rush's stated commitment to the statutory overhaul of the CPSC in order to improve the tools and resources available to it for the discharge of its responsibilities. This will also be true in the case of NHTSA.

Additionally, an investigation by the Subcommittee on Oversight and Investigations of our Committee has found that food imported from China, which is subject to the Food, Drug, and Cosmetic Act, threatens the health of Americans. The chemical melamine, which contaminated pet food and animal feed that killed unknown numbers of cats and dogs in the U.S., could have just as easily wound up in human food. In fact, the wheat gluten that contained melamine is used in thousands of products that Americans consume. Without a second glance, the FDA allows contaminated, decomposing fish, which masquerades as wholesome in carbon monoxide-infused packaging, to enter this country. That agency has known for years about farm-raised fish from China that have been fed large quantities of antibiotics and fungicides in order to overcome the pollution in fish farm water but has taken action to inhibit the entry of such products to the U.S. only after Committee on Energy and Commerce staff traveled to the labs where the testing was performed and the Committee demanded evidentiary documents. This stands in stark contrast to products from China regulated by the United States Department of Agriculture (USDA) that pose no threat at all, as they, by statute, may not enter the U.S. until the meat and poultry is raised and slaughtered under conditions equivalent to such activities in this country.

Our Committee has found that the FDA is understaffed and poorly managed. It will remain so until we allocate to it adequate resources and require it to act appropriately by oversight or statute. Both of these remedies will be contained in a food safety and import control bill that our Committee will consider before long. The import control and overseas operations of the FDA will be greatly enhanced by the user fees on food and drug imports in our bill. The FDA will lose some of the discretion that it has used to ignore the threat to our food supply from dangerous imports and careless processors. Put briefly, our Nation simply cannot afford to pretend that food and drug imports are safe. This is especially true in the case of China and many other countries that lack proper regulatory infrastructure. Increasingly, these imports pose a serious threat to American consumers, and Congress is therefore obligated to act. The American people demand no less.

Our Committee's concern with trade issues related to China extends beyond the safety of imported food, drugs, and certain consumer products also to encompass unfair currency practices. In short, it is our contention that China maintains an undervalued renminbi (RMB) in order to achieve export-led economic growth. Indeed, in a speech before the Chinese Academy of Social Sciences last year, Chairman of the Federal Reserve Board Bernanke characterized China's policy of keeping the RMB artificially undervalued as a de facto export subsidy. As a consequence, American export industries cannot compete fairly with their Chinese counterparts, and our Nation continues to suffer from a ballooning and unsustainable bilateral trade deficit with China, as well as an overall loss of jobs, particularly in its manufacturing sector.

Such a situation demands swift and determined action. Despite clear evidence, however, that China continues to pursue a monetary policy intended to keep the value of the renminbi artificially low, the Treasury Department — as is its statutory obligation under the Omnibus Trade and Competitiveness Act of 1988 — has neglected to cite it as a currency manipulator. This history of inaction in the face of clear evidence to the contrary extends back to 1994, the last time that the Treasury Department designated a country as a currency manipulator. We remain convinced that it is incumbent upon this Congress to pass legislation that would require the Administration to monitor and address unfair foreign currency practices more adequately, so as to allow for more effective adjustments in international balances of trade. While we do appreciate the calls by many economists that currency policy reform be conducted under the framework of a broader, multilateral process, the absence of meaningful action by either the World Trade Organization or the International Monetary Fund — which itself has no enforcement mechanism for currency disputes — persuades us that the Congress must act in order to preserve the Nation's interest in this vital area.

We therefore would insist that legislation to reform existing U.S. statute as it applies to unfair foreign currency practices include the following. First, the term "currency manipulation" should be replaced with "currency misalignment," a term that removes the difficult and easily side-stepped necessity for the Treasury Department to prove a country's explicit intent to influence unfairly the value of its currency. Second, any such legislation should contain clear and objective economic criteria for the quantitative determination of a currency's misalignment. Third, the Treasury Department's historical reluctance to act on this issue suggests to us that an advisory panel of economists be appointed in order to assess the applicability of the previously mentioned objective criteria to countries suspected of currency misalignment and make corresponding recommendations for appropriate action. In addition to the House Committees on Ways and Means and Financial Services, we would request that our Committee be granted the statutory right to appoint members to this panel. Last, we would suggest that reform legislation allow the Department of Commerce to assess duty orders on goods from countries found to have misaligned currencies, as such misalignments by their very nature produce de facto export subsidies, which should and must be countered in order to offset their negative effects on the United States economy.

We conclude again with our thanks for your gracious invitation to submit testimony on some of the more pressing concerns related to trade with China. As we have made clear in our statement, there remains much to be done in order to ensure that the safety and economic interests of our Nation's consumers, workers, and businesses are not further harmed by poorly regulated imports and unfair currency practices by the People's Republic of China. We hope that the extraordinarily collegial spirit demonstrated during this past May's three-subcommittee hearing on foreign currency practices might be sustained as Congress continues in its crucial work to reform American trade law.

Prepared by the Committee on Energy and Commerce

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